

# Westcountry Housing Association Limited

**Annual Report and Financial Statements**

**31 March 2010**

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# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS

### The Board

Chair	Mr M Winwood	
Other Members	Mrs J Coleman (Resigned Jul 09) Ms J Ballantyne Ms T Warn Mrs E Baker (Resigned Jun 09) Mr M Fine Mr G Buck Ms K Ayling Mr R Sigsworth Mr S Sitch (Resigned Oct 09)	Ms A Dinsdale (Resigned Nov 09) Mr I McDougall (Appointed Sep 09) Ms G Cleave (Appointed Sep 09) Mr C Eccles (Appointed Sep 09) Mrs R Day co-opted (Appointed Feb 10) Mr R Evans (Appointed Mar 10) Mr M Scott-Tucker co-opted (Appointed Mar 10) Ms J Felix-Mitchell (Appointed Mar 10)

### Executive Directors

Company Secretary	Mr M Sennitt (Retired Apr 10) Ms J Hughes (Appointed Apr 10)
Managing Director Investment & Procurement Director	Ms K Ayling
Supported Housing Director	Ms J Gregg Mr P Smith

Registered  
Office

Hatfield House  
Hatfield Road  
Torquay  
Devon  
TQ1 3HF

Auditors

Grant Thornton UK LLP  
Hartwell House  
55/61 Victoria Street  
Bristol  
BS1 6FT

Principal  
Solicitors

Hooper & Wollen  
Carlton House  
30 The Terrace  
Torquay  
Devon  
TQ1 1BS

# **WESTCOUNTRY HOUSING ASSOCIATION LIMITED**

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## **BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS (CONTINUED)**

Principal Bankers	RBS 2 <sup>nd</sup> Floor, Vantage Point Woodwater Park Pynes Hill Exeter Devon EX2 5FD
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Registered under the Industrial and Provident Societies Acts No. 19141R

Registered with the Tenants Services Authority No LH0945

## **REPORT OF THE BOARD**

The Board presents its report and audited financial statements for the year ended 31 March 2010.

### **Westward Housing Group**

Westcountry Housing Association (the Association) is a wholly owned subsidiary of Westward Housing Group Limited (Westward) together with Tarka Housing. Westward is a registered social landlord and acts as a charitable group parent organisation. The ownership of the assets and liabilities of Westcountry Housing Association is not affected by this group membership and with the exception of the group executive directors all staff are employed by the subsidiaries. Membership of the group Board comprises nominees from the subsidiaries together with independent board members. Central services are provided to all group members by staff teams employed by Westcountry Housing Association on behalf of the group.

### **The Association**

The Association is a not-for-profit organisation registered with the Financial Services Authority as an Industrial and Provident Society with exempt charitable status. The Association is formed for the benefit of the community and its business is directed by the Board. It operates throughout the counties of Devon and Cornwall with a small amount of stock in Wiltshire and Dorset. Head office is in Torquay and additional offices are in Plymouth and Totnes.

### **Principal activities**

Westcountry Housing Association aims to provide, manage and maintain a wide range of good quality, affordable accommodation and housing related services for people in the greatest need.

### **Business review**

Details of the Association's performance for the year and future plans are set out in the Operating and Financial Review following this report.

### **Board members and executive officers**

Board members at 20 July 2010 are shown on page 1. All the Board members and executive officers served throughout the financial year unless otherwise stated. The Board may from time to time appoint executive officers of the Association to serve on the Board. The Managing Director currently serves on the Board in accordance with the Association's rules.

### **Employees**

The Association acknowledges the importance of the quality of its employees in meeting its aims and objectives. This is recognised in its accreditation as an Investor in People. The Association's ability to meet its commitments to residents and others in an efficient and effective manner depends on the contribution of its employees.

Information is provided to staff on objectives, progress and activities in a variety of formats including structured meetings, access to minutes, verbal briefings or individual notifications. Training programmes for each member of staff are encouraged based on the needs assessment set out through the appraisal process.

## REPORT OF THE BOARD (CONTINUED)

The Association is committed to equal opportunities for all its employees. The equality & diversity policy approved by the Board is made available to all staff.

### Health and safety

The Board is aware of its responsibilities on matters relating to health and safety. The Association continues to review and update its detailed health and safety policies, including arrangements for appropriate staff training. On operational matters the Board delegates duties and responsibilities to a Westward health and safety working group comprising managers and staff of the Group, which includes a dedicated health and safety officer.

### Officers' insurance

The Association purchases insurance each year against the liabilities of all Board members and executive officers in relation to the Association.

### Statement of the responsibilities of the Board for the Annual Report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. The Industrial and Provident Societies Acts and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- follow applicable United Kingdom accounting standards and the Statement of Recommended Practice "Accounting by Registered Social Landlords" (Update 2008) subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 and 2002, paragraph 16 of Schedule 1 the Housing Act 1996 (to 31 March 2010), the Housing and regeneration Act 2008 (from 1 April 2010) and the Accounting Requirements for registered social landlords General Determination 2006. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice "Accounting for registered social landlords" (Update 2008).

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

### National Housing Federation Code of Governance

We are pleased to report that the Association complies with the principal recommendations of the National Housing Federation Code of Governance 2004.

## REPORT OF THE BOARD (CONTINUED)

### **The Board**

The number of non-executive Board members is twelve. Three Board member places are exclusively for the Association's residents. The Managing Director is currently also a member of the Board. The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board meets, formally, at least nine times a year for regular business and annually to discuss strategy and, as necessary, for members' training.

Board members are appointed in the first instance by the Board, and those appointed during the year to fill casual vacancies must retire at the next Annual General Meeting and are eligible for re-election by the share holding members. At each Annual General Meeting one third of the existing Board also retire and are eligible under the rules for re-election.

The Board is responsible for the Association's strategy and policy framework. It delegates the day-to-day management and implementation of that framework to the Group Chief Executive, the Managing Director and other group executive directors. The group senior management team comprises the Chief Executive, Finance Director, Investment & Procurement Director, Supported Housing Director the Managing Directors of Westcountry and Tarka Housing. The senior management team normally meets fortnightly and attends board meetings.

### **Committees**

Under the group structure all committees are group committees, therefore the Association has no formal committees of its own. The group committees deal with the Associations' requirements through (1) Audit & Treasury, (2) Planning & Urgency, and (3) Remuneration & Membership committees. The Association is represented on these committees through nominee Board members.

The Board and the group committees obtain external specialist advice from time to time as necessary.

### **Internal Controls Assurance**

Westcountry Housing Association Limited is a subsidiary of the Westward Housing Group Limited and the Group Board's statement on internal controls assurance is reproduced below:

The Westward Group Board has overall responsibility for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against financial misstatement or loss, fraud or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial statements and operational information and for the safeguarding of the Group's assets and interests.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, has been in place throughout the period commencing 1 April 2009 up to the date of approval of the report and financial statements.

## REPORT OF THE BOARD (CONTINUED)

### Internal Controls Assurance (cont'd)

In reaching this conclusion the Board has reviewed the key elements of the control environment, including:

- The Board and Committee structure, constitution, standing orders and financial regulations.
- Assurances received from management evidenced through comprehensive operational reports.
- Board approval of all short/medium terms plans and the risk assessments of those plans, reviewed quarterly by the Board.
- Risk management activities supported by the use of dedicated policy groups and working parties, which look at particular aspects of the Group's work.
- The Group's audit arrangements both for internal and external audit.
- The use and award of, quality management systems.
- Performance indicators across all major activities.
- Reports from and submitted to the Tenant Services Authority (formerly Housing Corporation) on the Group's compliance with all aspects of its regulatory code.
- Board approved whistle-blowing and anti-theft and corruption policies.
- Board approved anti-fraud & corruption policies, covering prevention, detection, and reporting of fraud, and the recovery of assets.

A fraud register is maintained and is reviewed by the Group Audit, Remuneration & Treasury Committee. No incidence of fraud has been identified during the 2009/10 financial year.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Group Audit & Treasury Committee to regularly review the effectiveness of the system of internal control. The Board receives minutes of the Audit & Treasury Committee meetings and can ask for specific reports to be referred to it.

The Board has received the Chief Executive's annual review of the effectiveness of the system of internal control, as it applies across the Group, and the annual report of the internal auditor.

The Board particularly reviews the service provided by its internal auditors and external auditors. These provide independent, trusted and objective reports which are reviewed initially by the Group's Audit & Treasury Committee and then by the Board. The auditors have direct access to the Board and have review meetings with the Group Audit & Treasury Committee. The internal audit service is outsourced and follows an audit needs assessment plan agreed with the Board. The Board is of the view that this internal audit service should remain as one of the cornerstones of our internal control system.

The Board confirms that there have been no regulatory concerns, which have led the Tenant Services Authority to intervene in the affairs of the Association. The Board further confirms that there have been no significant problems in relation to failures in internal controls which require disclosure in the financial statements or to the Tenant Services Authority.

# **WESTCOUNTRY HOUSING ASSOCIATION LIMITED**

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## **REPORT OF THE BOARD (CONTINUED)**

### **Disclosure of information to auditors**

At the date of making this report each of the Association's directors, as set out on page 1, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the association's auditors are unaware
- each director has taken all the steps that ought to have been taken as a director in order to be made aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

### **Going Concern**

After making enquiries the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

### **Auditors**

A resolution to appoint KPMG LLP as auditors will be proposed at the forthcoming Annual General Meeting.

### **Approval**

The Report of the Board was approved by the Board on 20 July 2010 and signed on its behalf by:

**Karen Ayling**  
**Managing Director**

## OPERATING AND FINANCIAL REVIEW

### Background

Westcountry Housing Association Limited operates three key business streams:

- 'general needs' housing for rent, primarily by families who are unable to rent or buy at open market rates;
- low cost home ownership, primarily shared ownership where residents purchase a share in the equity of their homes and pay rent to the Association on the remainder; and
- supported and sheltered housing for people who need additional housing-related support.

As well as managing over 4,000 properties, the Association is a developer of new affordable housing as a member of a development consortium, Partnership South West (PSW). PSW has been selected as a development partner by the Home & Communities Agency.

### External Influences

Government policies are aimed at increasing housing supply by widening the availability of social housing grant to the private sector, extending opportunities for people to buy their own homes and consulting on changes to the planning and taxation systems to help finance the new developments.

In addition, the quality of affordable housing remains a key focus for a government that has committed to delivering decent homes for all social housing tenants by 2010. Housing associations are also expected to contribute to the efficiency targets and we are therefore faced with the challenging objectives of improving efficiency and quality of services.

### Mission and Vision

Westcountry Housing Association Limited has adopted the Westward Group Mission and Vision: delivering excellence to provide better homes, healthier environments and stronger neighbourhoods where people want to live.

Our Vision is:

Westward Group members

...will deliver excellence through meeting our promises

- involving, empowering and engaging with residents & service users
- promoting positive local identity
- working with a wide range of partners
- bringing other partners into the Group with complementary strengths
- developing more affordable homes
- being employers of choice
- promoting open and transparent communications and feedback

...will deliver better homes by

- improving our existing housing stock
- building high quality new homes
- working to high environmental and energy efficiency standards
- incorporating the benefits of sustainable communities
- involving residents in designing homes where people want to live

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Mission and Vision (cont'd)

...will provide healthier environments by

- raising the quality and extending the range of services to residents & service users
- supporting people who are vulnerable
- getting services right first time
- aspiring to top inspection and accreditation results
- encouraging user-driven and user focussed innovation

...will provide stronger, happy neighbourhoods by

- putting communities and their needs at the forefront
- encouraging employment and training opportunities particularly for Westward residents
- ensuring equality and diversity are fully reflected in all activities

Key indicators are used by the senior management team to monitor achievement of the Association's objectives. Targets are set each year by the Board to manage development and deliver continuous service improvement.

### General operating environment

These financial statements show the results of the Association's activities for the year ended 31 March 2010. Highlights for the year include:

- General needs rents increased in accordance with the Associations rent plan. The rent plan was introduced following government legislation requiring equalisation of local authority and housing association rents by 2012.
- The continuing provision of the Homebuy zone agency service known as South West Homes providing marketing services for shared equity products to local authorities and RSLs in the South West.
- Major repair expenditure on approximately 1,090 of our properties.
- Cyclical maintenance expenditure on 950 of our properties.
- Completion of 12,170 responsive repairs (2009: 10,682).
- The total number of full time equivalent staff employed in the year was 239.
- Staircasing activity has increased, with 15 staircasings compared to 3 last year.

### Performance for the year

The Association generated a surplus for the year of £1.6m, as against last year's surplus of £1.4m. An amount of £0.5m (2009: £0.5m) was transferred from designated reserves to fund the major repair programme this year.

The Association remains committed to generating sufficient reserves to pursue its core objectives and to meeting the following funding requirements:

- Maintaining the Association's housing properties in a sound state of repair.
- Financing long term loan repayments.
- Providing a contingency against risk and future uncertainties.
- Development of new schemes and property purchase.
- Maintaining the affordability of rents.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Future developments

We constantly review our development objectives in the light of the significant changes in government funding. The Board continues to consider ways of best utilising the skills and capacity of its managers and staff.

The operational structure for Westcountry Housing Association has three directorates, Housing (covering the housing services, asset management and home ownership functions), Investment and Procurement (bringing together the development and procurement functions) and Supported Housing.

Central Service functions consisting of Finance, HR, IT, Policy and Performance and Communications are delivered across the Group by Westward Housing and charged back to the subsidiaries at cost.

This structure has been implemented in order to support the challenges of meeting the ambitious targets set within the five year plan which aims to expand the Association's overall activities.

The Homebuy zone agency service operates across Devon, Cornwall South Somerset, Dorset and Wiltshire. From April 2009 the agency has been run in partnership with Sovereign Housing Group from offices in Torquay and Bristol.

### Rent arrears and void losses

The level of rent and service charge arrears decreased in money and in percentage terms during the year. At the financial year end the total arrears stood at £429,000 compared to £501,000 at the end of the previous year. Arrears now represent 2.67% of income due; compared to 3.34% last year.

### Surplus on disposal of properties

The Association's surplus on sale of properties rose from £131,000 in the previous year to £705,000 in this year. The social housing grant on the disposed units is retained to provide additional social homes.

### Properties in management

At the end of the financial year the number of properties in management has increased for all letting types apart from Private Sector Leasing.

### Reserves

At the end of the year the Association had total reserves of £34.6m (2009: £32.8m). Designated reserves of £8.8m represent a decrease of £0.5m over the previous year.

## **OPERATING AND FINANCIAL REVIEW (CONTINUED)**

### **Treasury management**

Treasury management is operated within a policy approved by the Board. The overall financing requirement is approved by the Board – individual loans are approved by the Westward Group Audit and Treasury Committee. Investments are made only with counterparties specified within the Treasury Management Policy. A conservative approach is adopted, no derivatives are used and quarterly reports are received by the Audit and Treasury Committee on investment performance.

### **Development of new properties**

The Association has been a member of Partnership South West (PSW) throughout the year as part of the Home & Communities Agency Investment Partnering Initiative. This has assisted the efficient delivery of the investment programme for the South West where both cash programme targets and unit completion targets were exceeded.

Our membership of PSW should help us to become more competitive through volume procurement and competitive bidding for grant.

### **Cashflow and liquidity**

The cash inflow from operating activities during the year was £4.1m (2009: inflow £8.3m).

The Association's financial instruments comprise borrowings, cash and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The main risks from the Association's financial instruments are interest rate risk and liquidity risk.

New developments are financed through a mixture of retained reserves, social housing grant and debt. A key plank of the Association's treasury policy is to have agreed loan facilities in place to cover our cash flow requirements over a rolling twelve-month period, plus a margin for comfort.

We have good relationships with our existing lenders, but are acutely aware that the funding market remains competitive and innovative, and we devote considerable energy to exploring and developing new relationships.

When negotiating new loan facilities, we adhere to a number of principles, particularly the consistency of financial covenants. This means that all our lenders enjoy a common set of measures, which streamlines the Association's internal monitoring processes.

### **Statement of Compliance**

In preparing the Operating and Financial Review the Board has followed the principles set out in the SORP 2008.

**Karen Ayling**  
**Managing Director**  
**20 July 2010**

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESTCOUNTRY HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Westcountry Housing Association Limited for the year ended 31 March 2010 which comprise the income and expenditure account, balance sheet, cash flow statement and statement of total recognised surpluses and the related notes.

This report is made solely to the association's members, as a body, in accordance with regulations made under Section 4 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the board and auditors***

The directors' responsibilities for preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you, our opinion as to whether the financial statements give a true and fair view in accordance with Chapter 9 of the Friendly and Industrial and Provident Societies Act 1968, and whether the financial statements are in compliance with Chapter 127, Part II, Chapter 4 of the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

In addition, in accordance with Chapter 9 of the Friendly and Industrial and Provident Societies Act 1968 we report to you if, in our opinion, the association has not kept proper books of account, or maintained a satisfactory system of control, or the financial statements are not in agreement with the books of account of the society; or we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

### ***Basis of audit opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WESTCOUNTRY HOUSING ASSOCIATION LIMITED (CONTINUED)

### *Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the association's affairs as at 31 March 2010 and of its income and expenditure for the year then ended
- the financial statements are in compliance with Chapter 127, Part II, Chapter 4 of the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

Grant Thornton UK LLP  
Chartered Accountants and Registered Auditors  
Bristol, England  
20 July 2010

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Turnover: continuing	2	21,818	19,927
Operating costs	2	(17,202)	(15,112)
<b>Operating surplus: continuing</b>	4	<u>4,616</u>	<u>4,815</u>
Surplus on sale of properties	25	705	131
Group costs unrecovered		(251)	(202)
Interest receivable and other income	5	97	363
Interest payable and similar charges	6	(3,530)	(3,690)
<b>Surplus for the year</b>	18	<u>1,637</u>	<u>1,417</u>
<b>Net transfer from reserves</b>	18	517	473
		<u>2,154</u>	<u>1,890</u>
Revenue reserves at 1 April		23,163	21,273
<b>Revenue reserves at 31 March</b>	18	<u>25,317</u>	<u>23,163</u>

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2010

	2010 £000	2009 £000
<b>Surplus for the year</b>	1,637	1,417
Unrealised surplus on investments	125	-
<b>Total recognised surpluses and deficits for the year</b>	<u>1,762</u>	<u>1,417</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## BALANCE SHEET as at 31 March 2010

	Note	2010 £000	2009 £000
<b>Tangible fixed assets</b>			
Housing properties	9	247,468	228,175
Social housing grant	9	(143,348)	(130,020)
		<u>104,120</u>	<u>98,155</u>
Other fixed assets	10	1,501	1,470
		<u>105,621</u>	<u>99,625</u>
Investments	11	3,355	3,265
		<u>108,976</u>	<u>102,890</u>
<b>Current assets</b>			
Properties for sale		1,516	2,147
Debtors	12	3,972	3,191
Investments	13	2,655	655
Cash at bank and in hand		5,746	3,236
		<u>13,889</u>	<u>9,229</u>
<b>Creditors: amounts falling due within one year</b>	14	(4,956)	(5,782)
		<u>8,933</u>	<u>3,447</u>
<b>Net current assets</b>		<u>8,933</u>	<u>3,447</u>
<b>Total assets less current liabilities</b>		<u>117,909</u>	<u>106,337</u>
<b>Creditors: amounts falling due after more than one year</b>	15	83,348	73,538
		<u>83,348</u>	<u>73,538</u>
<b>Capital and reserves</b>			
Share capital	17	-	-
Revaluation reserve	18	456	331
Designated reserves	18	8,788	9,305
Revenue reserve	18	25,317	23,163
Association's funds		<u>34,561</u>	<u>32,799</u>
		<u>117,909</u>	<u>106,337</u>

The financial statements were approved by the Board on 21 July 2010 and signed on its behalf by:

**M Winwood**  
Chairman

**K Ayling**  
Board Member

**J Ballantyne**  
Board Member

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## CASH FLOW STATEMENT for the year ended 31 March 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	20	4,082	8,312
Returns on investments and servicing of finance	21	(3,426)	(3,990)
Capital expenditure and financial investment	21	(5,145)	(14,955)
Net cash outflow before management of liquid resources and financing		<u>(4,489)</u>	<u>(10,633)</u>
Management of liquid resources	21	(2,000)	10,537
Financing	21	9,000	1,957
Increase in cash	22	<u>2,511</u>	<u>1,861</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### I ACCOUNTING POLICIES

#### Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is registered with the TSA as a housing provider.

#### Basis of accounting

The financial statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practise: Accounting by registered social landlords, issued in January 2008 (SORP 2008) and comply with the Accounting Requirements for registered social landlords General Determination 2006.

#### Turnover

Turnover comprises;

- a) rental income receivable in the year from tenants and leaseholders;
- b) other services included at the invoiced value (excluding VAT) of goods and services supplied in the year
- c) revenue grants; and
- d) first tranche sales income on shared ownership properties. Income from first tranche sales is recognised at the point of legal completion of the sale.

#### Revenue recognition

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

#### Pensions

The Association participates in an industry-wide defined benefit final salary multi-employer pension scheme. The assets of the scheme are invested and managed independently of the finances of the Association. Contributions are based on pension costs across the various participating employers taken as a whole.

As a multi-employer scheme it is not possible to identify the share of assets and liabilities belonging to individual participating employers. Due to the nature of the scheme, therefore, the charge to the income and expenditure account under Financial Reporting Standard 17 "Retirement Benefits" will reflect the employer contributions payable.

#### Taxation

The Association has charitable status and is therefore exempt from U.K. Corporation Tax. The Board knows of no circumstances which will affect this taxation status in the future.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### I ACCOUNTING POLICIES (CONTINUED)

#### Housing properties

Housing properties are principally properties available for rent and are stated at cost less social housing grant and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised. Land donated by local authorities and others is added to the cost at the market value of the land at the time of the donation.

Shared ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation and impairment.

#### Depreciation of housing properties

Freehold land is not depreciated. Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight-line basis, over their estimated useful economic lives in the business. The depreciable amount is arrived at on the basis of original cost, less a proportion of SHG and other grants less residual value (being the actual or estimated open market value of the land at the date of purchase). The housing properties are depreciated at the following rates:

Houses	-	New Build	1% (100 years)	Flats	-	New Build	1.1% (90 years)
	-	Rehab	1.3% (80 years)		-	Rehab	1.4% (70 years)

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

#### Impairment

Housing properties which are depreciated over a period in excess of 50 years are, in accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill" and the Statement of Recommended Practice (Update 2008), subject to impairment reviews annually. Other assets will be reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amounts. Any such write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised surpluses and deficits.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### I ACCOUNTING POLICIES (CONTINUED)

#### **Social housing grant**

Social housing grant (SHG) is receivable from The Housing Corporation and is utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG receivable is calculated on a fixed basis depending on the size, location and type of housing property.

SHG due from the Housing Corporation or received in advance is included as a current asset or liability.

SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Where, following the sale of a property, SHG becomes repayable or is recycled and used to partly finance additional properties, it is included as a current liability until it is repaid or recycled.

SHG is subordinated in respect of loans by agreement with The Homes & Communities Agency.

#### **Other grants**

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grant in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

#### **Capitalisation of interest**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they have been deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

#### **Other tangible fixed assets and depreciation**

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Furniture, fixtures, fittings and equipment	20%
Computer hardware and software	20%
Motor vehicles	25%
Service assets	20%

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### I ACCOUNTING POLICIES (CONTINUED)

#### Investment properties

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the income and expenditure account. Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under Statement of Standard Accounting Practice 19 "Accounting for investment properties".

#### Investments

Investments are bonds held by National Westminster Bank plc for the past pension deficit of the Devon CC pension fund and the past pension deficit of the Social Housing Pension Scheme for staff transferring from Westcountry Housing into Westward Group Limited.

A further long term investment is the loan facility with Tarka Housing which is shown as amount(s) drawn plus rolled up daily interest charged in accordance with the loan agreement between Westcountry Housing and Tarka Housing. The facility is repayable by a bullet repayment on 10<sup>th</sup> December 2022.

#### Major repairs reserve

The Association has a continuing programme of major repairs and costs are charged to the income and expenditure account in the year they are incurred. Reserves have been established to recognise the future cost of major repairs to the structure of housing properties not eligible for social housing grant.

#### Value added tax

The Association is VAT registered but a large proportion of its income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is shown as part of turnover in the income and expenditure account. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

#### Donated Land

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included in income.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### I ACCOUNTING POLICIES (CONTINUED)

#### **Supporting People**

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

#### **Leased Assets**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Group's normal accounting policies. The present value of future rental incomes is shown as a liability.

The interest element of rental obligations is charged to the income and expenditure account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

#### **Properties for sale**

Shared ownership first tranche sales are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	2010			2009		
	Turnover £000	Operating Costs £000	Operating Surplus/ (deficit) £000	Turnover £000	Operating Costs £000	Operating Surplus/ (deficit) £000
<b>Social housing lettings (note 3)</b>	16,059	(11,804)	4,255	14,793	(10,470)	4,323
<b>Other social housing activities</b>						
Supporting people contract income	3,366	(3,206)	160	2,762	(2,692)	70
Homebuy Agency	909	(501)	408	451	(125)	326
Development department costs not capitalised	-	(354)	(354)	-	(109)	(109)
First tranche shared ownership sales	1,436	(1,309)	127	1,888	(1,665)	223
Other	23	(28)	(5)	13	(51)	(38)
	5,734	(5,398)	336	5,114	(4,642)	472
<b>Non-social housing activities</b>						
Lettings	25	-	25	20	-	20
<b>Total</b>	21,818	(17,202)	4,616	19,927	(15,112)	4,815

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 3 TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL HOUSING LETTINGS

	General housing	Housing for older people	Supported housing	Shared ownership	Managed housing	2010 Total	2009 Total
	£000	£000	£000	£000	£000	£000	£000
<b>Turnover from social housing lettings</b>							
Rent receivable, net of identifiable service charges	9,639	1,511	875	1,555	-	13,580	12,468
Charges for support services	-	149	119	32	31	331	373
Service charges receivable	576	406	746	314	106	2,148	1,952
<b>Turnover from social housing lettings</b>	<u>10,215</u>	<u>2,066</u>	<u>1,740</u>	<u>1,901</u>	<u>137</u>	<u>16,059</u>	<u>14,793</u>
<b>Expenditure on social housing lettings</b>							
Services	(570)	(403)	(665)	(265)	(105)	(2,008)	(1,866)
Management	(1,636)	(379)	(576)	(157)	-	(2,748)	(2,715)
Support	-	(189)	(113)	(28)	(24)	(354)	(342)
Routine maintenance	(1,433)	(228)	(218)	-	-	(1,879)	(1,812)
Planned maintenance	(469)	(238)	(106)	-	-	(813)	(376)
Major repair expenditure	(1,603)	(543)	(535)	(35)	-	(2,716)	(2,439)
Bad debts	4	(3)	(17)	-	-	(16)	(54)
Depreciation of housing properties	(773)	(61)	(53)	(142)	-	(1,029)	(866)
Impairment of housing properties	(241)	-	-	-	-	(241)	-
<b>Operating costs on social housing lettings</b>	<u>(6,721)</u>	<u>(2,044)</u>	<u>(2,283)</u>	<u>(627)</u>	<u>(129)</u>	<u>(11,804)</u>	<u>(10,470)</u>
<b>Operating surplus/(deficit) on social housing lettings</b>	<u>3,494</u>	<u>22</u>	<u>(543)</u>	<u>1,274</u>	<u>8</u>	<u>4,255</u>	<u>4,323</u>
<b>Voids</b>	<u>140</u>	<u>30</u>	<u>123</u>	<u>7</u>	<u>-</u>	<u>300</u>	<u>201</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 4 OPERATING SURPLUS

This is arrived at after charging/(crediting)

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Depreciation of housing properties	1,028	866
Impairment of housing properties	241	-
Depreciation of other tangible fixed assets	150	183
Deficit/(surplus) on disposal of other tangible fixed assets other than housing properties	20	3
External auditors' remuneration(including VAT)		
-for external audit services	11	12
Internal auditors' services	8	22
	<u>          </u>	<u>          </u>

### 5 INTEREST RECEIVABLE AND OTHER INCOME

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Income from cash deposits	7	305
Income from inter-group loan	90	58
	<u>97</u>	<u>363</u>

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest on loans:	3,883	4,010
Interest payable capitalised on housing under construction	(353)	(320)
	<u>3,530</u>	<u>3,690</u>
Capitalisation rate used to determine the finance costs capitalised during the period	<u>4.57%</u>	<u>2.81%</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 7 EMPLOYEES

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
<b>Average monthly number of employees</b>		
Office staff	85	81
Scheme managers, caretakers, cleaners, and project based staff	184	165
	<u>269</u>	<u>246</u>
<b>Average monthly number of full-time equivalent employees</b>		
Office staff	78	74
Scheme managers, caretakers, cleaners, and project based staff	161	144
	<u>239</u>	<u>218</u>
	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Staff costs</b>		
Wages & salaries	4,894	4,254
Social security costs	388	336
Other pension costs	330	317
	<u>5,612</u>	<u>4,907</u>

Westcountry Housing Association Ltd participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The scheme operated a single benefit structure, final salary with a 1/60<sup>th</sup> accrual rate, to 31 March 2007. From April 2007 there are three benefit structures available, namely:

Final salary with a 1/60<sup>th</sup> accrual rate

Final salary with a 1/70<sup>th</sup> accrual rate

Career average revalued earnings with a 1/60<sup>th</sup> accrual rate.

From April 2010 there are a further two benefit structures available, namely:

Final salary with a 1/80<sup>th</sup> accrual rate

Career average revalued earnings (CARE) with a 1/80<sup>th</sup> accrual rate.

A defined contribution benefit structure will be made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 7 EMPLOYEES (CONT'D)

Westcountry Housing Association Ltd has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 1<sup>st</sup> April 2007 and the career average revalued earnings with a 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1<sup>st</sup> April 2007. This does not reflect any benefit structure changes made from April 2010.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Westcountry Housing Association Ltd paid contributions at the rate of 14.87% and 12.5% for the final salary and career average schemes respectively. Member contributions vary between 3.1% and 6.1%. As at the balance sheet date there were 123 active members of the Scheme employed by Westcountry Housing Association Ltd. The annual pensionable payroll of these members was £2,739,968. Westcountry Housing Association Ltd continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total scheme assets. Accordingly, due to the nature of the scheme, the accounting charge for the year under FRS17 represents employer contributions payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the projected unit method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:-

Valuation discount rates	%pa
– Pre-retirement	7.8
– Non-pensioner post-retirement	6.2
– Pensioner post-retirement	5.6
– Pensionable earnings growth	4.7
– Price inflation	3.2

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 7 EMPLOYEES (CONT'D)

Pension increases

– Pre 88 GMP	0.0
– Post 88 GMP	2.8
– Excess over GMP	3.0

Expenses for death in service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions

Mortality pre-retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% pa

Mortality post retirement – 90% SIPA Year of Birth, long cohort projection, minimum improvement 1% pa

The long term joint contribution rates that will apply from April 2010 required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60 <sup>th</sup> accrual rate	17.8
Final salary with a 1/70 <sup>th</sup> accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60 <sup>th</sup> accrual rate	14.9
Final salary with a 1/80 <sup>th</sup> accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80 <sup>th</sup> accrual rate	11.9

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it has been agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 3% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS scheme.

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 7 EMPLOYEES (CONT'D)

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme, pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator is currently in the process of reviewing the recovery plan for SHPS in respect of the September 2008 actuarial valuation. A response from the Regulator is expected in due course.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2009. Such a report is required, by legislation, for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70%.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up.

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on the buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 30 September 2008. As at that date the estimated employer debt for the Association was £12,776,000.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 8 BOARD MEMBERS AND EXECUTIVE DIRECTORS

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Emoluments of the Association's executive directors excluding pension contributions but including benefits in kind	226	223
Emoluments of the Chief Executive, who was also the highest paid director, excluding pension contributions but including benefits in kind	82	82

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
The emoluments of the board members and executive officers, also exclusive of pension contributions and Social Security costs, were in the following ranges:		
£0	-	13
£1 - £5,000	11	-
£5,001 - £10,000	1	-
£65,001 - £70,000	-	1
£70,001 - £75,000	2	1
£80,001 - £85,000	1	1

Expenses paid during the year to board members and executive directors of the Association amounted to £19,582 (2009: £31,632).

The executive directors are members of the defined benefit pension scheme. They participate in the scheme on the same terms as all other eligible staff and no enhanced or special terms apply.

No payments or benefits, other than those permitted, were made to any board members or executive directors.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 8 BOARD MEMBERS AND EXECUTIVE DIRECTORS (CONT'D)

The membership of the corporate executive team of Westward Housing Group is noted on page 5. The costs of the team members are allocated to Westward, Tarka or Westcountry Housing Associations as follows:

Chief Executive	Westward Housing Group Ltd
Corporate Services Director	Westward Housing Group Ltd
Managing Director (Tarka)	Tarka Housing Limited
Managing Director (Westcountry)	Westcountry Housing Association Ltd
Supported Housing Director	Westcountry Housing Association Ltd
Investment & Procurement Director	Westcountry Housing Association Ltd

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 9 TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing properties held for letting	Housing properties under construction	Completed shared ownership properties	Shared ownership properties under construction	Short life properties completed	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At 1 April 2009	189,033	11,115	28,819	4,077	1,092	234,136
Schemes completed in year	15,223	(15,223)	4,603	(4,603)	-	-
Additions	1,687	17,027	496	1,595	-	20,805
Disposals	(106)	-	(509)	-	-	(615)
Transfers	-	119	-	(119)	-	-
Interest capitalised	-	312	-	41	-	353
At 31 March 2010	<u>205,837</u>	<u>13,350</u>	<u>33,409</u>	<u>991</u>	<u>1,092</u>	<u>254,679</u>
<b>Depreciation &amp; Impairment</b>						
At 1 April 2009	4,962	-	743	-	256	5,961
Charge for year	887	-	141	-	-	1,028
Impairment	241	-	-	-	-	241
Disposals	(2)	-	(17)	-	-	(19)
At 31 March 2010	<u>6,088</u>	<u>-</u>	<u>867</u>	<u>-</u>	<u>256</u>	<u>7,211</u>
<b>Cost less depreciation</b>						
At 31 March 2010	<u>199,749</u>	<u>13,350</u>	<u>32,542</u>	<u>991</u>	<u>836</u>	<u>247,468</u>
At 31 March 2009	<u>184,071</u>	<u>11,115</u>	<u>28,076</u>	<u>4,077</u>	<u>836</u>	<u>228,175</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

	Housing properties held for letting	Housing properties under construction	Completed shared ownership properties	Shared ownership properties under construction	Short life properties completed	Total
	£000	£000	£000	£000	£000	£000
<b>SHG &amp; Other public subsidy</b>						
At 1 April 2009	107,833	4,494	15,888	969	836	130,020
Schemes completed in year	6,949	(6,949)	1,215	(1,215)	-	-
Additions	1,824	11,026	39	808	-	13,697
Repayments/abatements	(80)	-	(289)	-	-	(369)
At 31 March 2010	<u>116,526</u>	<u>8,571</u>	<u>16,853</u>	<u>562</u>	<u>836</u>	<u>143,348</u>
				<b>2010</b>	<b>2009</b>	
				<b>£000</b>	<b>£000</b>	
<b>Net book value of all properties</b>						
Freehold land and buildings				100,632	81,339	
Long leasehold land and buildings				3,488	3,488	
Short leasehold land and buildings				-	-	
				<u>104,120</u>	<u>84,827</u>	

Direct costs relating to development administration capitalised in the year amounted to £457,622 (2009: £532,940)

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 9 TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (CONTINUED)

#### Social Housing grant

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Total accumulated social housing grant received or receivable at 31 March:		
Capital grant	143,348	130,020
	<u>143,348</u>	<u>130,020</u>

#### Impairment

An impairment provision of £241,325 was made in March 2010 to reduce the carrying value of land purchased at Denners Way, Uffculme to its value in use, being the estimated recoverable amount.

#### Works to existing properties

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Amounts capitalised	-	-
Amounts charged to income and expenditure account	2,716	2,439
	<u>2,716</u>	<u>2,439</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 10 TANGIBLE FIXED ASSETS - OTHER

	Investment property	Freehold offices	Leasehold offices	Service assets	Furniture, fittings, fixtures & equipment	Computer hardware & software	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
At 1 April 2009	275	939	27	569	190	1,035	58	3,093
Additions	-	-	-	37	15	28	-	80
Disposals	-	(4)	-	(6)	-	(12)	(13)	(35)
Revaluation	125	-	-	-	-	-	-	125
At 31 March 2010	<u>400</u>	<u>935</u>	<u>27</u>	<u>600</u>	<u>205</u>	<u>1,051</u>	<u>45</u>	<u>3,263</u>
<b>Depreciation</b>								
At 1 April 2009	-	105	6	434	149	889	40	1,623
Charged in year	-	14	-	57	13	58	8	150
Disposals	-	-	-	(1)	-	-	(10)	(11)
At 31 March 2010	<u>-</u>	<u>119</u>	<u>6</u>	<u>490</u>	<u>162</u>	<u>947</u>	<u>38</u>	<u>1,762</u>
<b>Net Book Value</b>								
At 31 March 2010	<u>400</u>	<u>816</u>	<u>21</u>	<u>110</u>	<u>43</u>	<u>104</u>	<u>7</u>	<u>1,501</u>
At 31 March 2009	<u>275</u>	<u>834</u>	<u>21</u>	<u>135</u>	<u>41</u>	<u>146</u>	<u>18</u>	<u>1,470</u>

#### Investment property

The property at 13 Castle Road, Torquay has been included at a valuation of £400,000. This valuation has been undertaken by Mr. A. Herridge BA MRICS, Ridge Property Consulting Ltd as at 28 August 2009, on a freehold open market value basis subject to the existing lease in favour of West of England Language Services Limited. The property is revalued by an independent valuer every 3 years.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 11 TANGIBLE FIXED ASSETS - INVESTMENTS

	Fixed rate bonds £ 000	Loan to group undertaking £ 000	Total £ 000
At 1 April	1,496	1,769	3,265
Purchased/advanced in year	-	90	90
31 March 2010	<u>1,496</u>	<u>1,859</u>	<u>3,355</u>

The fixed bonds are held by National Westminster Bank Plc as security for the past pension deficits of the Devon County Council pension fund and the Staff Pension Scheme for members who have transferred from Westcountry Housing into the Westward group.

### 12 DEBTORS

	2010 £000	2009 £000
<b>Due within one year</b>		
Arrears of rent and service charges	429	501
Tenants other debts	17	17
Less: provision for bad and doubtful debts	(95)	(114)
	<u>351</u>	<u>404</u>
SHG receivable	-	1,575
Loans to employees	55	61
Due from group undertakings	1,837	175
Other debtors	1,729	976
	<u>3,972</u>	<u>3,191</u>

Loans to employees totalling £54,758 (2009: £61,236) have been made to 15 employees (2009:16) and are repayable over terms of up to five years, on variable rates of interest linked to bank base rate at the time of the loan.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 13 CURRENT ASSET INVESTMENTS

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Balances held on deposit with banks and building societies	2,655	655

### 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Housing loans (note 16)	79	70
Accrued interest payable	637	630
Rent and service charges received in advance	251	167
Retentions	555	608
Trade creditors	617	1,219
Other Taxation and Social Security	-	3
Other creditors	1,104	2,470
Due from group undertakings	1,095	-
National Lottery (note 30)	-	6
Recycled capital grants-within one year (note 24)	618	609
	<u>4,956</u>	<u>5,782</u>

### 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Housing loans (Note 16)	<u>83,348</u>	<u>73,538</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 16 HOUSING LOANS ANALYSIS

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Due within one year</b>		
Bank loans	79	70

All loans due within one year are repayable by instalments.

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Due after more than one year</b>		
Bank loans	45,482	36,538
The Housing Finance Corporation Limited	37,866	37,000
	<u>83,348</u>	<u>73,538</u>

#### Housing loans repayable by instalments:-

	<b>2010</b> <b>£ 000</b>	<b>2009</b> <b>£ 000</b>
Between one and two years	90	80
Between two and five years	334	299
After five years	3,190	3,291
	<u>3,614</u>	<u>3,670</u>

#### Housing loans repayable otherwise than by instalments:-

	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
After five years		
The Housing Finance Corporation Limited	37,866	37,000
Bank loans	41,868	32,868
	<u>79,734</u>	<u>69,868</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 16 HOUSING LOANS ANALYSIS (CONTINUED)

Loans originally from The Housing Corporation have been assigned to the National Westminster Bank PLC group of companies. Before assignment the Association consolidated all of its Housing Corporation loans to one loan with a consolidated fixed interest rate of 11.227% and a final repayment date during the year 2030. These loans together with loans from banks are secured by fixed charges on individual properties.

Loans acquired through the acquisition of Uffculme Housing Trust and stock transferred from New Era Housing, are from National Westminster Bank PLC group of companies after assignment to them by the Housing Corporation. The loans are included in bank loans. They are secured by fixed charges on individual properties and are repaid in half yearly instalments at fixed rates of interest ranging from 10.375% to 15.00%. Final instalments fall in the period 2009 to 2046.

The Housing Finance Corporation (THFC) loan of £37m (nominal) was issued at a premium of £0.866m. The premium is included within loans and is charged to the income and expenditure account over the term of the loan. It is secured by fixed charges on individual properties and has an effective fixed interest rate of 4.97%. Interest repayments are made half yearly with a final repayment date of 2035.

Loans with Santander (formerly Abbey National) are included in bank loans at £30.898m. These loans are variable rate with options to fix all or part of each loan. They are secured by fixed charges on individual properties and interest is paid on maturity of each interest period. The final repayment is 2035.

Loans with Barclays Capital are included in bank loans at £11m. These loans are variable rate with options to fix all or part of each loan. They are secured by fixed charges on individual properties and interest is paid on maturity of each interest period. The final repayment is 2032.

### 17 SHARE CAPITAL

	2010 £	2009 £
<b>Shares of £1 each issued and fully paid</b>		
At 1 April	12	11
Shares issued in year	5	5
Shares surrendered in year	(4)	(4)
At 31 March	<u>13</u>	<u>12</u>

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on winding up.

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 18 RESERVES

#### Designated reserves

	Designated major repairs reserve	Designated lift/boiler replacement reserve	Designated equipment replacement reserve	Total
	£000	£000	£000	£000
1 April 2009	8,907	178	220	9,305
Contributions in year	2,198	8	59	2,265
Expenditure	(2,720)	(8)	(54)	(2,782)
Net transfer	(522)	-	5	(517)
31 March 2010	8,385	178	225	8,788

#### Revenue and revaluation reserves

	Revenue	Revaluation
	£000	£000
1 April 2009	23,163	331
Surplus for the year	1,637	-
Transfer from designated reserves	517	-
Revaluation of investment property	-	125
31 March 2010	25,317	456

It is the Association's policy to reinvest its reserves into the procurement of additional social homes and the majority of the revenue reserve of £25,317,000 has been, or will be, used in this way.

### 19 FINANCIAL COMMITMENTS

The Association's capital expenditure commitments are as follows:

	2010	2009
	£000	£000
<b>Capital commitments</b>		
Expenditure contracted for but not provided for in the accounts	21,659	8,844

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 20 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £000	2009 £000
Operating surplus	4,616	4,815
Depreciation of tangible fixed assets	1,178	1,048
Impairment of tangible fixed assets	241	-
Loss on disposal of tangible fixed assets	20	3
	<u>6,055</u>	<u>5,866</u>
<b>Working capital movements</b>		
Housing properties for sale	631	209
Debtors	(2,578)	(61)
Creditors	(26)	2,298
<b>Net cash inflow from operating activities</b>	<u>4,082</u>	<u>8,312</u>

### 21 GROSS CASH FLOWS

	2010 £000	2009 £000
<b>Returns on investments and servicing of financing</b>		
Interest received	97	588
Interest paid	(3,523)	(4,578)
	<u>(3,426)</u>	<u>(3,990)</u>
<b>Capital expenditure and financial investment</b>		
Tarka loan drawn	(90)	(1,068)
Acquisition and construction of housing properties	(19,568)	(19,404)
Purchase of other fixed assets	(80)	(76)
Purchase of Investments	-	-
Capital grants received	13,328	5,335
Sales of housing properties	1,261	183
Sales of other fixed assets	4	75
	<u>(5,145)</u>	<u>(14,955)</u>
<b>Management of liquid resources</b>		
Movement in deposits and fixed term deposits	(2,000)	10,537
<b>Financing</b>		
Loan advances received	9,000	5,000
Loan principal repayments	-	(3,043)
	<u>9,000</u>	<u>1,957</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 22 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2009 £000	Cashflows £000	Non-cash movements £000	At 31 March 2010 £000
Cash in hand and at bank	3,235	2,511	-	5,746
Debt due within 1 year	(70)	-	(9)	(79)
Debt due after 1 year	(73,538)	(9,000)	(810)	(83,348)
Current asset investments	655	2,000	-	2,655
Total	<u>(69,718)</u>	<u>(4,489)</u>	<u>(819)</u>	<u>(75,026)</u>

	2010 £000	2009 £000
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in year	2,511	1,861
Cash flow from decrease/(increase) of liquid resources	2,000	(10,537)
Cash received from loan advances	(9,000)	(5,000)
Cash to repay loan principals	-	3,043
Non – cash movements	<u>(819)</u>	<u>-</u>
Change in net debt	(5,308)	(10,633)
Net debt at 1 April	(69,718)	(59,085)
Net debt at 31 March	<u>(75,026)</u>	<u>(69,718)</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 23 HOUSING STOCK

The number of units of housing under development and in management, in which the Association retains some equity, at 31 March 2010 was:

	Units under development		Units in management	
	2010	2009	2010	2009
Housing for letting	216	155	3,061	3,008
Shared ownership	37	13	935	829
Leasehold schemes for the elderly	-	-	75	75
Supported housing bedspaces	-	-	542	533

In addition the Association manages the following units

	2010	2009
Private Sector Leasing	74	86
Managed schemes	111	110
Right to buy units	148	146

### 24 RECYCLED CAPITAL GRANT FUND

	2010 £000	2009 £000
At 1 April	609	796
Grants recycled	322	36
Interest accrued	3	26
Purchase/ development of properties	(316)	(249)
Balance at 31 March	<u>618</u>	<u>609</u>

### 25 SURPLUS ON SALE OF PROPERTIES

	2010 £000	2009 £000
Proceeds of sale	1,261	183
Cost of sales	(556)	(52)
Surplus	<u>705</u>	<u>131</u>

# WESTCOUNTRY HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 March 2010

### 26 RELATED PARTIES

There are three current Board members, Ms T Warn, Mr R Sigsworth and Ms G Cleave.

The Association followed its standard lettings procedure for the board members and the properties were let at usual rent levels.

### 27 ACCOMMODATION MANAGED BY AGENTS

	Units at 31 March 2010	Units at 31st March 2009
Addaction	11	11
Carr Gomm	6	6
Churches Housing Action Trust	10	10
Colebrook	36	36
Community Care Trust	5	5
Young Devon	8	8
Home Farm Trust	41	46
Mencap	61	61
Community Projects North Devon	9	9
Brain Injuries Rehab Trust	2	2
South Devon Women's Aid	-	7
Wessex Autistic Society	7	6
	<hr/> 196	<hr/> 207

# **WESTCOUNTRY HOUSING ASSOCIATION LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**31 March 2010**

### **28 CONTINGENT LIABILITIES**

Subsequent to the year end, Swan Country Homes (Treston House), which was undertaking property building work for the Association at 31 July 2010, has entered into liquidation.

An internal assessment of the projected cost of the completed scheme has now been completed using in part a cost to complete estimate obtained from the contractor's banker. This assessment estimates a total amount of £1.53 million compared against the original budgeted cost of £1.49 million. Any extra costs incurred are covered by NHBC insolvency insurance.

### **29 POST BALANCE SHEET EVENTS**

There were no post Balance Sheet events.

### **30 NATIONAL LOTTERY**

National Lottery funding of £4,961 for the Onward House Community project in Plymouth was under spent and repaid to the Big Lottery Fund during the year.

### **31 ULTIMATE PARENT UNDERTAKING**

The Association's ultimate parent company is Westward Housing Group Limited. Copies of the consolidated accounts of the Westward Housing Group may be obtained from the registered office noted on page 1.